

Message Text

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ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 EB-08 L-03 /018 W

-----291021Z 098394 /20

R 282239Z JAN 77

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 4656

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PASS COMMERCE, OED/BIC - MAJOR PROJECTS DIVISION

E.O. 11652: N/A

TAGS: EINV, GT

SUBJ: CHIXOY DAM PROJECT DEVELOPMENTS

REF: A. 75 STATE 303278, B. 76 GUATEMALA 5018

1. REF A EXPLAINED REASONS FOR US SUPPORTING UNRESTRICTED USE OF IDB CAPITAL FOR CHIXOY PROJECT AND REQUESTED REPORTING ON AWARD OF BIDS AS PROJECT DEVELOPS. THE FOLLOWING IS BASED ON THE BEST INFORMATION AVAILABLE TO US. THERE HAS BEEN NO OFFICIAL ANNOUNCEMENT.

2. IT NOW APPEARS ALMOST CERTAIN THAT GERMAN FIRM, HOCHTIEF, ITALIAN FIRM, COGEFAR, AND MEXICAN FIRM ICA WILL BE AWARDED CHIXOY LOTS 1, 2, AND 3, RESPECTIVELY. NO US FIRM BID ON LOT 1 (TUNNEL) AND ONLY ONE, H.B. ZACHRY CO. OF SAN ANTONIO, TEXAS, BID ON LOT 3 (POWERHOUSE) AND THEIR BID WAS HIGH. ON LOT 2 (DAM, WHICH BIRF IS TO FINANCE), ZACHRY HAD EXTREMELY COMPETITIVE BID AND UNTIL VERY RECENTLY IT LOOKED LIKE THEY MIGHT GET AWARD. HOWEVER, SEVERAL SOURCES NOW REPORT THAT DECISION HAS BEEN MADE THAT COGEFAR WILL GET LOT 2, IN LARGE PART BECAUSE OF GOVERNMENT'S CONCERN THAT IF NOT GIVEN SOMETHING, COGEFAR WILL PROTEST AWARDING OF LOT 1 TO HOCHTIEF BECAUSE THEY (COGEFAR) COULD MAKE

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STRONG CASE THAT THEY ACTUALLY HAD BEST OFFER. THEY ALSO COULD BE EXPECTED TO PROTEST IF THEY DON'T GET LOT 2. SUCH A PROTEST (AS HAPPENED IN CASE OF GUATEMALA'S AGUA-CAPA HYDROELECTRIC PROJECT LAST YEAR WHEN ITALIAN FIRM, CODELFA, PROTESTED DECISION ON CONSTRUCTION AWARD AND ALL BIDS WERE ANNULLED AND PROJECT DELAYED ALMOST A YEAR) WOULD THREATEN CHIXOY TIME TABLE.

3. IT MUST BE POINTED OUT THAT ZACHRY HAS ENOUGH SMALL LEGAL PROBLEMS IN ITS BID (WHICH COGEFAR INFORMED INDE OF EARLY ON) THAT INDE CAN JUSTIFY AWARD OF LOT 2 TO COGEFAR WITHOUT TOO MUCH TROUBLE. CHIEF OF ZACHRY'S LEGAL PROBLEMS WAS A SENTENCE IN ITS BID THAT INDICATED THAT THEY DID NOT INTEND TO PAY GUATEMALAN INCOME TAX. ZACHRY'S LATER STATEMENTS TO INDE THAT IT WOULD, APPARENTLY WERE NOT ACCEPTED AND ZACHRY'S BID REPORTEDLY WAS PENALIZED \$1.4 MILLION AS RESULT OF THE TAX QUESTION. WE ARE TOLD THAT HAD INDE ACCEPTED THIS CLARIFICATION BY ZACHRY, THEIR PRICE WOULD HAVE BEEN ALMOST AS LOW AS COGEFAR'S, AND PROBABLY CONSIDERABLY LOWER IF INDE HAD ALSO ACCEPTED ZACHRY'S VIEW OF SEVERAL TECHNICAL WEAKNESSES IN COGEFAR'S BID. STRONG CASE COULD THEN HAVE BEEN MADE THAT ZACHRY'S BID FAR BETTER OFFER TECHNICALLY (TWICE EQUIPMENT CAPACITY, FOR EXAMPLE) AND COULD BE EXPECTED TO HAVE MUCH LESS CHANCE OF OVERRUNS OVER LENGTH OF CONTRACT.

4. US EMBASSY HAS BEEN IN CLOSE TOUCH WITH ZACHRY AND THEIR LOCAL AGENT THROUGHOUT PERIOD OF EVALUATION OF BIDS AND HAS CONVEYED US INTEREST IN ZACHRY TO HIGH LEVELS OF GUATEMALAN GOVERNMENT, INCLUDING INDE PRESIDENT RICARDO BARRIOS PENA AND GENERAL LEONEL VASSAUX, HEAD OF OVERSEEING COMMITTEE.

5. EMBOFF CALLED H. COCKBURN OF ZACHRY, JAN. 28, AND TOLD HIM OF APPARENT DECISION FOR COGEFAR WITHOUT LIMITED OFFICIAL USE

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DETAILING REASONS DISCUSSED ABOVE. SUGGESTED ZACHRY CALL STATE DESK TO GET FURTHER DETAILS CONTAINED THIS TELEGRAM.
BOSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: HYDROELECTRIC POWER PLANTS, BANK LOANS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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ISecure: 1
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